“RELUCTANT WELFARISM”: POVERTY AND SOCIAL WELFARE IN HONG KONG

YEW Chiew Ping

EAI Background Brief No. 832

Date of Publication: 4 July 2013

Executive Summary

1. Under the Leung Chun-ying administration, a Commission on Poverty has been re-established to determine poverty line for the first time in Hong Kong.

2. The setting of a poverty line by the new Commission would be useful for determining the monthly expenses required to meet basic needs in Hong Kong. It would also enable a more accurate assessment of the effectiveness of existing poverty alleviation measures.

3. Despite the growing number of the poor in Hong Kong, recipients of social welfare had remained constant at 450,000-460,000 per month in 2011. This means that as high as 40% of the poor or 700,000 persons had fallen through the social safety net.

4. The stigma surrounding social welfare discourages the poor from taking up Comprehensive Social Security Assistance (CSSA). Welfare recipients are often perceived as undeserving, irresponsible and unproductive.

5. Such bias makes the poor more vulnerable to economic fluctuations. A telephone interview revealed that 60% of respondents would not apply for CSSA unless they were left with no other options.

6. Hong Kong’s welfare system has been termed as “reluctant welfarism,” in which social welfare has taken a backseat and is subordinated to the goal of economic growth.

7. There is room for the Hong Kong government to increase social spending without sacrificing fiscal prudence. Its total government spending was 17.8% in 2009, far below the Organisation for Economic Co-operation and Development average of 40% in 2008.

8. The recently announced 2013 budget shows that the Hong Kong government has not departed from its market-friendly ideology and "reluctant welfarism." In the year ahead, the Hong Kong government is increasing the percentage of social spending but spending is still below revenue.

9. Among the one-off relief measures for the poor in this budget are an extra month of handout for CSSA recipients, two months rental waiver for residents in public housing, and subsidy for electricity bill.

10. Hong Kong's case shows that piecemeal reforms or one-time relief measures in welfare provision are unlikely to work in the long term. The social safety net has to go hand in hand with a legislated minimum wage, supportive family policies and active labor market policies that altogether generate high labor force participation.